

Message Text

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ACTION NEA-11

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
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E.O. 11652: N/A
TAGS: EINV, EIND, ETRD, EG
SUBJECT: AMERICAN MOTORS/ARAB INDUSTRIAL ORGANIZATION
- "JEEP" PROJECT

REF: (A) 77 CAIRO 18781, (B) 77 STATE 304950

1. AMERICAN MOTORS (AMC) REP D.L. ZEMKE, WHO HAS BEEN APPOINTED MANAGING DIRECTOR OF ARAB-AMERICAN VEHICLES CORP. (AAV), AMC'S JOINT VENTURE WITH ARAB INDUSTRIAL ORGANIZATION (AIO) TO ASSEMBLE JEEPS IN EGYPT, CALLED ON CHARGE AFTERNOON OF MAY 24 TO REVIEW STATUS OF PROJECT. ZEMKE SAID THAT BY END OF SUMMER, APPROXIMATELY 10 AMC EMPLOYEES WHO HAVE BEEN SECONDED TO AAV VENTURE WOULD BE RESIDENT IN EGYPT. AAV PLANT NOW UNDER CONSTRUCTION ON SUEZ ROAD NEAR CAIRO AIRPORT IS CURRENTLY AHEAD OF SCHEDULE, AND BUILDING IS EXPECTED BE COMPLETED BY OCTOBER. IF ALL GOES WELL, FIRM HOPES TURN OUT FIRST FEW VEHICLES BY MID-DECEMBER.

2. ZEMKE SAID THAT AAV (IN WHICH AIO HAS 51 PERCENT .SHARE AND AMC REMAINING 49), WILL HAVE SOME 200 EMPLOYEES AND AT FULL PRODUCTION WILL BE ASSEMBLING APPROXIMATELY 10,000 VEHICLES PER YEAR. MOST OF EMPLOYEES ARE EXPEC-
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TED BE PROVIDED THROUGH AIO, WHICH HAS ITS OWN RECRUITMENT AND TRAINING FACILITIES.

3. RE BOYCOTT ISSUE (SEE REF A), ZEMKE SAID HE HAD ONLY RECENTLY BEEN ASSIGNED TO AAV AND IS NOT WELL INFORMED ON SUBJECT. HE DID NOT KNOW WHAT SPECIFIC PLANS, IF ANY, AMC OR AIO HAD TO RESOLVE BOYCOTT PROBLEM.

4. COMMENT: SUBSTANTIAL PROGRESS WHICH AAV VENTURE HAS MADE IS INDICATION OF SERIOUSNESS OF PURPOSE WITH WHICH AIO IS APPARENTLY APPROACHING ITS JOINT VENTURE PRODUCTION ARRANGEMENTS WITH WESTERN FIRMS. ALTHOUGH AIO CONNECTION CLEARLY MAKES THIS A RATHER SPECIAL CASE, US FIRM'S INVOLVEMENT IN SUCCESSFUL INDUSTRIAL PROJECT OF THIS TYPE SHOULD PROVE USEFUL IN ENCOURAGING FOREIGN INVESTMENT GENERALLY. MATTHEWS

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Message Attributes

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